



National Grid USA Service Company, Inc.

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September 12, 2002

VIA E-MAIL AND OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: D.T.E. 98-84/EFSB 98-5

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company, Nantucket Electric Company and New England Power Company, I am enclosing comments in the above-captioned proceeding. I am also enclosing an additional copy of this letter to be date- and time-stamped and returned to me in the attached self-addressed, stamped envelope.

Please update the service list for the above-referenced proceedings, including e-mail distribution by adding:

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Thank you very much for your time and attention to this matter.

Very truly yours,

cc: Service List

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COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of Telecommunications)
and Energy and the Energy Facilities Siting Board, on)
their own motions, commencing a Notice of Inquiry and) D.T.E. 98-84/EFSB 98-5
Rulemaking, pursuant to M.G.L. c. 164 §§, 69H, 69I,)
76C, and 220 C.M.R. §§ 2.00 et seq., into (1) rescinding)
220 C.M.R. §§ 10.00 et seq., and (2) exempting)
electric companies from any or all of the provisions of)
of G.L.c. 164, § 69I.)

**COMMENTS OF
MASSACHUSETTS ELECTRIC COMPANY,
NANTUCKET ELECTRIC COMPANY
AND NEW ENGLAND POWER COMPANY**

I. INTRODUCTION

Massachusetts Electric Company, Nantucket Electric Company and New England Power Company (together, the National Grid companies) appreciate the joint effort of the Department and the Siting Board to investigate alternative reports and reporting procedures in support of promoting reliable electric delivery systems for the Commonwealth. With the experience that investor-owned electric utilities, the Department and the Siting Board have gained since the passage of the Electric Industry Restructuring Act of 1997, new insights and the new realities of the restructured market make this effort both appropriate and timely.

The Department has already done much to ensure that it meets its legislative mandate of ensuring reliable service in the Commonwealth. In particular, it has developed performance standards for reliability (e.g., Dockets M.D.T.E. 98-84, 01-71-B and 01-68) and has established and assessed monetary penalties for inadequate performance. These factors alone have given distribution companies enormous incentives to strive for reliable service to customers.

While data regarding planning, outages, and other delivery service characteristics may provide the Department and Siting Board with insights into reliability, mere data cannot tell the complete story of distribution and transmission development, integrity and service. Consistent demonstration of reliable distribution system performance must be the ultimate goal of all parties and, if that goal is met, it should outweigh any perceived concern over specific data inputs. The National Grid companies' objective in this docket is to work with the Department and Siting Board, as well as with intervenors, to craft an approach to reporting, analysis and activities that will serve the public interest.

II. COMMENTS

A. Annual Forecast/Operating Report Requirements

Massachusetts Electric Company (Mass. Electric) and Nantucket Electric Company (Nantucket), the National Grid affiliates defined as “distribution companies” under §1 of Chapter 164, believe that the planning reports ordered in Docket M.D.T.E. 01-68 (and in companion dockets directed to the other investor-owned distribution companies in the Commonwealth) can serve as the core of the reporting process alternative to §69I now under consideration. However,

given that the annual reports have yet to be drafted, reviewed and judged for their usefulness, Mass. Electric and Nantucket urge the Department to delay adopting the annual report as a core requirement until the distribution companies and the agencies have assessed its effectiveness. Following the second required report, in 2004, all involved should have sufficient experience to know whether adoption, modification or rejection of the annual report is appropriate for the objectives of the instant docket.

At this time, Mass. Electric and Nantucket anticipate that the comprehensive data requirements of the annual report capture system fundamentals, which will provide both historic and forward-looking data. This information is likely to provide a broad yet detailed view of a distribution company's experiences, its long-term load outlook and its more immediate planned responses to experience and prediction. However, it must be recognized that such information loses any dynamic nature as it ages. Accordingly, such information alone cannot serve as the basis for judging system performance and planning.

B. Notice of Future Projects

Whereas Mass. Electric and Nantucket are distribution companies, New England Power Company (NEP) is the transmission-owning affiliate of National Grid in Massachusetts and both an "Electric company" and a "Transmission company" pursuant to §1 of Chapter 164. NEP would, therefore be the National Grid affiliate most likely affected by the Department's and Siting Board's proposal to require an annual filing of three-year and ten-year planning

projections. Although NEP does not object to providing the agencies with readily available data on projects that are otherwise publicly known, NEP cautions that much transmission planning data is customer-specific (e.g., plans for interconnecting a new generator) and thus highly confidential, particularly in today's emerging market. Indeed, the FERC has express rules regarding the disclosure of such data until certain planning thresholds have been met. Thus, while NEP desires to work with the Department and Siting Board in providing useful and insightful transmission planning information, we must avoid being caught in the cross-hairs of opposing agency requirements. For this reason, NEP recommends in its response to Questions 5 and 7 below, that the agencies rely on specified, publicly available documents as a transmission planning report.¹

From another vantage point, NEP cautions that even the information contained in such reports must be understood as *anticipatory, not promissory*. Circumstances giving rise to transmission needs may change or may be overtaken by other developments. Technology, economics, statutory or regulatory developments or other exogenous events may play a role in the dynamic needs of a transmission system. For these reasons, if the Department and Siting Board decide to require periodic reporting by transmission-owning entities, NEP urges the agencies to recognize that planning information is conceptual, not contractual, and that transmission owners must not be held to plans which in their best judgment merit revision or rescission. Justification for transmission projects

¹ As discussed in more detail in our response to Question 7, ISO-NE publishes the Regional Transmission Expansion Plan which can provide the Siting Board with aggregate regional information.. Accordingly to avoid redundant reporting requirements, the Siting Board should look to ISO-NE for regional information, not to transmission owning entities.

requiring agency approval must remain project-specific and consistent with the currently effective statutes.

C. IRP Regulations

Mass. Electric and Nantucket believe that the upcoming annual reports better reflect the nature of their regulatory obligations than do the IRP reports required by §69I of Chapter 164 and thus are a more appropriate alternative. Notwithstanding our strong recommendation that the Department delay the adoption of more detailed distribution planning reporting until after the filing of the second annual report in 2004, we find the information proposals of the instant docket more relevant to and reflective of our restructured business than the more traditional reporting requirements of §69I. Accordingly, we support the rescission of 220 C.M.R. 10.00 *et seq.*.

D. Specific Questions and Responses

- 1. Does the proposed alternative process provide all the information that the Department needs to help ensure distribution system reliability? What additional elements, if any, should be included in an alternative process that focuses on distribution system reliability?**

As stated above, the Department has already taken substantive steps in previous dockets toward ensuring reliable service throughout the Commonwealth. The proposed alternative process of the instant docket can provide a broad and detailed view of a distribution system. Mass. Electric and Nantucket believe that the Department has identified in

sufficient detail the fundamental data inputs of distribution system reliability. With data such as load forecasts, planning criteria, system conditions, critical loads, significant reliability and infrastructure improvements and the priority status of future projects as well as other existing reliability oversight and incentive tools, including the IDS Live Data outage reporting protocol and service quality indices, the Department will certainly have sufficient planning and operational data to review system performance throughout the Commonwealth

2. Are there any issues other than those raised in Section II.A above, which must necessarily be included in an alternative process that is consistent with the public interest? If so, what are these issues, and why are they important?

The National Grid companies believe that the Department and Siting Board have identified many of the key issues of importance in this investigation. However, two cautionary notes are in order:

(1) The proposed reporting process may well aid the Department and the Siting Board in their assessment of proposed projects. However, the mere collection – and even creation – of data for review will not necessarily translate into maintained or increased levels of service quality performance by utilities. Rather, as the Department is aware, the appropriate measure of performance is the “output” rather than the “input”. The service quality indices adopted by the Department assure that the Commonwealth’s distribution companies remain focused on results and strive to provide highly reliable service to customers. While information submitted pursuant to an alternative process could assist the

Department and Siting Board in reviewing a utility's performance, it nevertheless remains the utility's obligation to plan for reliable system performance.

(2) We also call attention to the heightened security interests at play in our post-9/11 society and strongly urge the Department and Siting Board to consider the potential consequences of, and appropriate measures to protect against, over-disclosing sensitive information concerning the electric infrastructure that underpins our economy and our way of life.²

3. Is further definition of any element of the alternative process proposed in Section II.B needed to ensure that there is a common understanding of electric company responsibilities under the alternative process?

Although the distribution companies in the Commonwealth remain highly regulated and subject to a unified state regulatory approach, each company has unique characteristics insofar as load, infrastructure, geographic territory, interconnections and customer base are concerned. For these reasons, it is important that distribution companies be accorded leeway in determining the most appropriate means of assessing and reporting the criteria mandated by the Department for the upcoming annual reports. Mass. Electric and Nantucket propose the following for the Department's consideration:

² On September 5, 2002, the Federal Energy Regulatory Commission FERC issued a Notice of Proposed Rulemaking to establish new regulations to safeguard information vital to the protection of the nation's energy infrastructure. See Critical Energy Infrastructure Information, Docket Nos. RM02-4-000 and PL02-1-000, 100 F.E.R.C. ¶61,256 (Sept. 5, 2002).

➤ Ten-year peak demand load forecasts -- Mass. Electric and Nantucket currently undertake such forecasts on an annual basis, and have the requisite information available for the Department. The companies' serious concern, however, is that their current forecasting process necessarily captures confidential customer-specific load increase projections. In the interest of protecting customer-sensitive data and meeting the Department's information requirements, Mass. Electric and Nantucket propose that this element of the annual filing be redacted from public filing and provided to the Department alone under a confidentiality order.³

➤ Planning criteria and guidelines for the entire distribution system planning process – These comprehensive and complex documents are not updated on an annual basis by the National Grid distribution companies. As an example, the distribution companies' planning standards were most recently updated in 1998, superseding criteria in place since the late 1980s. Currently, the National Grid companies are beginning a review of their planning criteria vis-à-vis those of their newest affiliate, Niagara Mohawk. Therefore, to prevent an annual influx of repetitive data to the Department, Mass. Electric and Nantucket propose that the Department require the submission of planning criteria and guidelines only following

³ Mass. Electric and Nantucket also proposed the same treatment of such information in their Summer 2001 Reliability Filing (D.T.E. 01-68). The Department accepted the proposal.

their revision. If deemed useful, the Department might request documentation supporting any revisions, including the rationale for criteria changes.

➤ Operating study report showing power flows and voltages for normal and emergency conditions – In D.T.E. 01-68, this request is further defined as a reporting requirement for the next two years for “each bulk station in MECo’s service territory”. Mass. Electric and Nantucket believe that the Department’s interest can be fully satisfied if provided appropriate information, normal and contingency power flows and voltages for those substations that provide broad supply to customer load.

4. Can the need for a transmission project predicated on load growth be described more effectively, efficiently, and consistently through standardized annual forecasts or by project-specific inquiry?

The need for a new transmission project is driven by changes in load or generation. For example, load growth can stimulate the transmission needs of distribution companies or can cause transmission congestion; transmission upgrades may be required to support a new interconnecting generator; system reinforcements may be required when a generating unit retires. The facts and circumstances giving rise to a transmission project will vary substantially from case to case.

With this key factor in mind, the Department and Siting Board should avoid generic requirements that may be expensive to present but are of little relevance to the description of a specific project. For example, load

forecasting may not be the driving factor in developing the interconnection of a new generator. However, both annual load forecasts and project-specific inquiries may be needed to describe the need for a transmission project to support the supply to a given area. Standardized annual forecasts generally provide information for transmission upgrades needed to move electric power over large areas, whereas project-specific inquiry will provide information for transmission upgrades needed to supply a specific substation or load pocket.

At present, the National Grid companies undertake load forecasts for individual Planning Supply Areas (PSAs) and for their entire service territories. PSA forecasts support decision-making for specific projects such as power delivery to a certain load pocket, such as northeast or central Massachusetts, or to a specific site, such as a municipal light department or step-down transformers. The control area, managed by ISO-NE, also develops a region-wide load forecast., generally used to examine potential upgrades needed to supply a large areas, such as New York - New England or New Brunswick – New England, the NEMA/Boston import area or southeast Massachusetts export area..

Transmission facilities utilized to supply the numerous load pockets in Massachusetts are part of the larger integrated transmission network covering the New England control area. Thus, adding transmission facilities in one area of the state (or region) could have an impact in another entity's service area. This is a key factor behind ISO-NE and

NEPOOL review of proposed transmission upgrades for adverse impacts on the bulk power delivery system.

In sum, flexibility should be the hallmark of any alternative reporting process. Both load forecasting and project-specific inquiries may be needed to describe new transmission needed to supply a distribution area. In general, if the distribution area is small, project-specific inquiries supported by a local forecast may suffice since the project's impact will be more limited.

5. To what extent could data from the annual report provided to the Department be used to demonstrate the need for transmission projects proposed primarily for support of the distribution system? To what extent could data from the annual report be aggregated to document the need for transmission projects intended for the transfer of bulk power within a single utility's service territory, or between service territories?

The proposed annual report to be prepared by distribution companies will offer enough information to describe the transmission upgrades that affect a local area. However, due to the highly integrated nature of the New England bulk transmission system, it is not likely to include enough information to document the need for transmission projects intended for the transfer of bulk power. This type of information can be derived from National Grid's Five Year Statement and ISO-NE's Regional Transmission Expansion Plan (RTEP), described in more detail in our response to Question 7.

6. What information should be filed in support of a load forecast submitted in the context of a transmission facility proceeding under G.L. c. 164, § 69J?

Documentation might include input data (for example, historical load data as well as forecast weather assumptions, economic inputs and, if appropriate, expected load changes among large customers).

Documentation could also include model results where appropriate -- for example, estimated regression coefficients and test statistics. Because many of the forecast inputs as well as some of the forecast output information may be considered commercially sensitive, we urge that such information should be provided subject to appropriate confidentiality and non-disclosure protections.

7. What is the appropriate role of ISO-NE or a regional transmission organization in providing justification for new transmission facilities?

Regional planning has been a tradition in New England since the 1970s. Some thirty years later, the processes and procedures of regional planning via NEPOOL and now ISO-NE have developed to justify and support new transmission facilities serving regional needs. The National Grid companies believe that this approach to regional planning will become increasingly significant within the context of emerging markets.

Thus, to obtain a true understanding of transmission planning, the appropriate focus is regional rather than a more limited review of planning within individual corporate boundaries or service territories. The New England region is highly integrated from a transmission perspective and

reliability in any one part of the transmission grid depends on many other parts. Although individual transmission owners such as NEP assess their own needs for new transmission facilities (and publish the results in documents such as National Grid's Five-Year Statement), transmission planning currently is conducted on a regional basis by ISO-NE in close coordination with transmission owners, NEPOOL and its relevant committees. This process covers planning for transmission facilities needed either for reliability reasons or for economic reasons (e.g., to relieve congestion costs).

The regional transmission planning process is detailed in NEPOOL's open access transmission tariff ("OATT") and the restated NEPOOL agreement ("RNA"). Pursuant to Section 51 of the OATT, ISO-NE, with input from two NEPOOL committees (the Transmission Expansion Advisory Committee and the Transmission Planning Committee) develops a regional transmission expansion plan ("RTEP"). The RTEP is produced every three years based on plans of individual transmission owners, load forecasts, generators' proposed capacity forecasts, and input from state commissions and regional reliability councils.⁴

In addition to the RTEP, individual transmission expansion projects are subject to peer review by NEPOOL's Reliability Committee, task forces of the Reliability Committee, and ultimately NEPOOL's Participants Committee. Pursuant to RNA § 18.4, any new or materially

⁴ See RNA §20 (i), specifically obligating NEPOOL and ISO-NE to consult and coordinate with applicable state regulatory, siting and other authorities on planning.

changed plans for additions to, retirements of, or changes in the capacity of any transmission facilities rated 69 kV or more – as well as any other actions that can significantly affect stability, reliability or operating characteristics – must be submitted to ISO-NE and relevant NEPOOL committee’s for review at least 60 days before the start of any such projects. In effect, such projects are to be approved by the relevant NEPOOL committees and ISO-NE to ensure that there are no significantly adverse effects upon the reliability or operating characteristics of the system or systems of individual transmission owners. Pursuant to RNA § 15.5, moreover, the NEPOOL committees assess whether such projects should be considered “pool transmission facilities” managed by NEPOOL and ISO-NE under the OATT and whether or not the costs of such facilities should be rolled into the rates for regional network service under the OATT.

FERC’s recent policy initiatives related to regional transmission organizations and standard market design could affect the details of this planning process, but by and large, neither initiative will narrow the current regional scope of transmission planning. To the contrary, these policies will likely reinforce the regional focus. On August 23, 2002, ISO-NE and the New York Independent System Operator (NYISO) filed a petition for a declaratory order concerning the creation of the NorthEast Regional Transmission Organization (NERTO). As part of that filing, ISO-NE and the NYISO proposed that the NERTO conduct planning such as ISO-NE does now. However, the scope of the NERTO proposed

planning process would include New York as well as the New England states. Moreover, while the National Grid companies likely will provide substantial comment on the details of the planning process proposed in FERC's SMD NOPR,⁵ it should be noted that FERC's proposal is for that planning process to cover areas much larger than the footprints of existing or proposed ISOs or RTOs; essentially, FERC proposes dividing the country into four (4) super-regions for planning purposes.

In short, while individual transmission owners must have a hand in planning, constructing and owning transmission facilities in their own service territories, ISO-NE has a significant role in coordinating the planning for new transmission facilities, and it -- or any successor regional transmission organization or independent transmission provider authorized by FERC --likely will have a significant role in the future. Such a role would be to assess regional transmission expansion needs (whether for reliability or economic upgrades) and to avoid adverse impacts of new projects on the transmission grid.⁶

⁵ "Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design," Notice of Proposed Rulemaking, FERC Docket No. 01-12-000 at ¶¶ 335-50 (July 31, 2002) (hereinafter, "the SMD NOPR"). Some planning and expansion issues of concern to NEP are summarized here: (1) The SMD NOPR proposes to put regulated transmission upgrades through an RFP process conducted by the Independent Transmission Provider (ITP). This process is likely to lead to a number of questions concerning delays of upgrades; drawn-out comparisons of generation (i.e., market), demand (i.e., DSM) and transmission solutions to transmission needs; and access to confidential data (2) Under FERC's vision, the ITP would decide whether regulated transmission upgrades are to be built. The implication is that transmission owners will not be permitted to recover the costs of transmission upgrades in rates, even if a state wants those upgrades to proceed, unless the ITP authorizes the upgrades.

⁶ See *Id.* at ¶ 346 ("The regional planning process must provide a review of all proposed projects to assess whether the project would create loop flow issues that must be resolved on a regional basis.")

III. CONCLUSION

The National Grid companies support the Department and Siting Board's effort to devise an alternative to the requirements of M.G.L.A. ch. 164, §69I. Given the Department's considerable steps to promote reliable electric service in previous dockets, we propose that a final decision on any new reporting requirements for distribution companies be deferred until experience is developed with the two forthcoming annual reports. In addition, we believe that the ultimate alternative process can be successful if limited to the provision and review of existing data. In addition, the National Grid companies encourage the Department and Siting Board to consider carefully the uses of data to be provided and the potential consequences of unfettered disclosure of customer or system information.

The National Grid companies appreciate this opportunity to submit these comments and plan to provide oral testimony on both distribution and transmission planning reporting at the hearing scheduled for Thursday, September 26, 2002.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANY,
NANTUCKET ELECTRIC COMPANY and
NEW ENGLAND POWER COMPANY

By their Attorney,

Paige Graening
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Date: September 12, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing document and nine copies to Secretary Mary L. Cottrell, Department of Telecommunications and Energy, by overnight mail. I also served this filing via electronic mail to dte.efiling@state.ma.us, william.stevens@state.ma.us and the parties listed on the service list.

Dated at Westborough, Massachusetts this 12th day of September, 2002.

Paige Graening